



THE CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK, NY 10007

February 2, 2005

The Honorable Bill Frist  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Harry Reid  
Minority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable J. Dennis Hastert  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Senator Frist, Senator Reid, Speaker Hastert, and Representative Pelosi:

I look forward to working with the Administration, Congress and Governor Pataki on Medicaid reform. While reform of the Medicaid system is the highest priority for the nation's governors, with a close to equal split of the non-federal share in New York State, it is also of dire concern to local governments such as the City of New York.

Medicaid reform should not be part of a 2006 fiscal year budget reduction and reconciliation process if it does nothing more than shift additional costs to state and local governments. On behalf of New York City's over one million seniors and people with disabilities who depend on Medicare and the over two and a half million vulnerable New York City residents, many of whom are children and seniors, who rely on Medicaid, I strongly urge that you not include any reductions in the fiscal year 2006 budget that merely cap the rate of growth or merely cap spending on Medicare or Medicaid, nor consider these programs as part of a reconciliation proposal.

Since 1965, the federal government has helped state and local governments pay for the basic healthcare and long-term services low-income Americans need. A cap on federal funding – whether in the form of an allocation, or a block grant – would undermine that critical federal commitment to care for the well being of America's most vulnerable citizens.

New York is committed to administering the Medicaid program in a very cost-effective way, and New York City and New York State, as equal partners with the federal government in the program, have a tremendous incentive to continue doing so. New York City's total Medicaid costs have averaged a growth of approximately 9% annually over the past five years.

According to the National Governors Association, total nationwide Medicaid expenditures exceed that of Medicare primarily due to two major factors that are largely beyond the control of states. First, state and local governments, over the last four years, have experienced large caseload increases. Second, and far more costly to state and local governments, are the impacts of long-term care and of the dual eligible population.

According to the National Governor's Association, Medicaid currently accounts for 50% of all long-term care dollars and finances the care for 70% of all people in nursing homes. Furthermore, 42% of all Medicaid expenditures are for Medicare beneficiaries, despite the fact that they comprise a small percentage of the Medicaid caseload and are already fully insured by the Medicare program. The payment of benefits for the dual Medicaid and Medicare eligible population should be taken over fully by the federal government. State Medicaid programs currently expend significant sums for Medicare Part-B enrollment and co-payments for this population, with little ability to exercise control over utilization due to their dual eligible status. Full federal takeover of dual eligible populations is an equitable solution since state and local governments are unable to control Medicare costs. New York City has over 300,000 dually eligible beneficiaries.

It is unacceptable in any deficit reduction strategy to simply shift federal costs to state and local governments, as Medicaid continues to impose severe strains on state and local budgets. The National Governor's Association's most recent survey of states shows Medicaid now averages 22% of state budgets. In New York City, Medicaid represents approximately 10% of the total City budget. The City's share of mandated Medicaid expenditures reached almost \$4.3 billion in 2004, and is projected to grow to over \$4.9 billion in 2005.

This commitment has caused a strain on funding for other crucial City responsibilities. These funding challenges will become more acute as states absorb new costs to help implement the Medicare Modernization Act for the millions of dual eligible beneficiaries.

I look forward to working with you on Medicaid reform.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Bloomberg". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Michael R. Bloomberg  
Mayor

MRB:jc

cc: The Honorable George E. Pataki